



OFFICE OF
INSURANCE COMMISSIONER

IN THE MATTER OF

MEGA LIFE AND HEALTH INSURANCE
COMPANY,

Authorized Insurer.

ORDER NO. D08-0002

CONSENT ORDER LEVYING A FINE

The Insurance Commissioner of the State of Washington, pursuant to the authority set forth in RCW 48.02.080 and RCW 48.02.185, and having reviewed the official records and files of the Office of the Insurance Commissioner ("OIC"), makes the following:

FINDINGS OF FACT:

1. OIC became aware in 2005 that MEGA Life and Health Insurance Company ("MEGA", or "the Company") had issued coverage, on a blanket basis, to Washington resident members of the Alliance for Affordable Services, the National Association for the Self-Employed, and the Americans for Financial Security. This coverage was provided to these associations on two policy forms.
2. The forms were not approved for use in Washington. One of the forms had been filed, but disapproved in 1992. The other had not been filed.
3. The Company advised OIC that the coverage was provided to association members as part of their association member packages, and was provided under blanket policies issued outside of Washington (the situs of the Alliance for Affordable Services and Americans for Financial Security is Washington, DC; The National Association for the Self-Employed is incorporated in Texas). Since it was intended to be blanket coverage, no certificates were issued



to association members. The members received a "benefit guide" outlining benefits of membership in the associations, not specifically limited to the blanket insurance coverage.

4. After much internal discussion and weighing of options and benefits for consumers, OIC determined that the best course of action was to leave the benefits intact and require amendments to the policies to make them compliant. OIC informed the Company that it would also be required to file a certificate and rates, and that each Washington association member would be provided a certificate of coverage.

5. A calendar year of working with the Company on the amendments ensued. Although the Company was responsive, OIC was unable to approve its re-filings. On December 5, 2006, OIC was informed that all three associations had chosen not to renew their vendor agreements with MEGA. There was no point in continuing to pursue correct forms since the coverage would no longer be in force by the time the forms could be approved.

6. There were 27,586 Washington consumers affected. Americans for Financial Security, Incorporated had 223 members in Washington. It was covered using both forms, one for 4.6 years and one for 4.3 years. The National Association for the Self-Employed had 18,078 Washington members and used one form for 3 years and one for 4.75 years. The Alliance for Affordable Services had 9,285 Washington members and used one form for 3 years and one for 4.75 years.

CONCLUSIONS OF LAW:

1. By using insurance policy forms which had not been filed with and approved by the OIC to cover Washington residents, MEGA violated RCW 48.18.100.

2. By issuing blanket coverage to groups which did not meet the requirements necessary to qualify for blanket coverage, MEGA violated RCW 48.21.040.

3. By providing disability coverage to individuals in this state under a group policy delivered to policyholders outside of the state where the groups being covered did not qualify for group disability insurance under Title 48, MEGA engaged in an unfair trade practice under WAC 284-30-600(1)(d).

4. RCW 48.30.010(6) provides that the Commissioner may take action as permitted under the Insurance Code for violation of a regulation defining an unfair trade practice.

5. RCW 48.05.185 provides that OIC may assess a fine for violation of this statute in an amount not less than \$250 or more than \$10,000.

CONSENT TO ORDER:

MEGA Life and Health Insurance Company, acknowledging its duty to comply fully with the applicable laws of the State of Washington, consents to the following in consideration of its desire to resolve this matter without further administrative or judicial proceedings. The Insurance Commissioner consents to settle the matter in consideration of the Company's payment of a fine and such terms and conditions as are set forth below.

1. MEGA consents to the entry of this Order, waives any and all hearing rights, and further administrative or judicial challenges to this Consent Order.

2. By agreement of the parties, the Insurance Commissioner will impose a fine of \$150,000 (One-Hundred and Fifty Thousand Dollars).

3. MEGA's failure to timely pay this fine shall constitute grounds for revocation of MEGA's Certificate of Authority, and shall result in the recovery of the amount of the fine through a civil action brought on behalf of the Insurance Commissioner by the Attorney General of the State of Washington.

EXECUTED this 3rd day of April, 2008.

MEGA Life and Health Insurance Company

By: 

Printed Name: Michael A. Colmiflower

Typed Corporate Title: Executive Vice President

ORDER

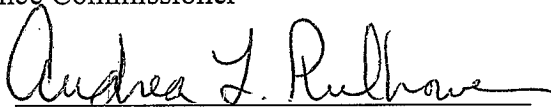
Pursuant to the foregoing Findings of Fact, Conclusions of Law, and Consent to Order, the Insurance Commissioner hereby orders as follows:

1. Within thirty days of the execution of this order, MEGA Life and Health Insurance Company shall pay a fine in the amount of \$150,000 (One-Hundred and Fifty Thousand Dollars).
2. The Company's failure to pay the fine within the time limit set forth above shall result in the revocation of the Company's Certificate of Authority and in the recovery of the amount of the fine through a civil action brought on behalf of the Insurance Commissioner by the Attorney General of the State of Washington.

ENTERED AT TUMWATER, WASHINGTON, this 10th day of April,
2008.

MIKE KREIDLER
Insurance Commissioner

By


Andrea L. Philhower
OIC Staff Attorney
Legal Affairs Division